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July 1, 2019

VIA ELECTRONIC FILING

The Honorable Jocelyn G. Boyd
 Chief Clerk/Administrator
 Public Service Commission of South Carolina
 101 Executive Center Drive
 Columbia, South Carolina 29211

RE: Friends of the Earth and Sierra Club, Complainant/Petitioner v. South Carolina Electric & Gas Company, Defendant/Respondent
Docket No. 2017-207-E

Request of the Office of Regulatory Staff for Rate Relief to South Carolina Electric & Gas Company's Rates Pursuant to S.C. Code Ann. § 58-27-920
Docket No. 2017-305-E

Joint Application and Petition of South Carolina Electric & Gas Company and Dominion Energy, Incorporated for Review and Approval of a Proposed Business Combination between SCANA Corporation and Dominion Energy, Incorporated, as May Be Required, and for a Prudency Determination Regarding the Abandonment of the V.C. Summer Units 2 & 3 Project and Associated Customer Benefits and Cost Recovery Plans
Docket No. 2017-370-E

Dear Ms. Boyd:

By Order No. 2018-804, dated December 21, 2018, issued in the above-referenced dockets, the Public Service Commission of South Carolina ("Commission") approved, among other things, the merger between Dominion Energy, Inc. ("Dominion Energy") and SCANA Corporation ("SCANA"). As part of its approval of the merger, the Commission also approved certain merger conditions that it requires compliance by Dominion Energy. One such merger condition requires that:

(Continued . . .)

Dominion [Energy, Inc] and [Dominion Energy South Carolina, Inc.] shall adopt and agree to adhere to a Code of Conduct developed in collaboration with the [South Carolina Office of Regulatory Staff] and approved by the Commission.

See Commission Order No. 2018-804, Order Exhibit 1, p.6, § F.7.

On March 15, 2019, Dominion Energy initiated the collaboration process with the South Carolina Office of Regulatory Staff ("ORS") concerning a Code of Conduct and since that time, Dominion Energy and ORS have met and engaged in discussions in furtherance of the merger condition stated above. In collaboration with ORS, and in compliance with Commission Order No. 2018-804, enclosed you will find a copy of the Code of Conduct applicable to Dominion Energy, SCANA, Dominion Energy South Carolina, Inc. ("DESC") and certain other affiliates ("2019 Code of Conduct").

As the Commission is aware in 1992, the Commission issued Order No. 92-931 in Docket No. 89-230-E/G approving final Recommendations and Reporting Requirements for South Carolina Electric & Gas Company concerning recommendations and reporting requirements for financial transactions, affiliate transactions, and property transactions. Working from the requirements set forth in Order No. 92-931 as well as Order No. 2018-804 and also reviewing and evaluating the terms and conditions contained in the North Carolina Code of Conduct applicable to Dominion Energy and its affiliates, Dominion Energy and ORS's collaborative efforts have resulted in the creation of the 2019 Code of Conduct which establishes guidelines and rules that apply to the relationships, transactions, and activities involving the electric and natural gas operations of DESC, Dominion Energy, SCANA, and certain other affiliates. More specifically, the 2019 Code of Conduct governs financial transactions, affiliated transactions, real property transactions, and how customer information is to be treated. Additionally, and as required by Commission Order No. 2018-804, the 2019 Code of Conduct contains a specific provision requiring Dominion Energy and DESC to communicate with ORS and the Commission in a manner so as to avoid the concealment, omission, misrepresentation, or nondisclosure of any material fact or information in any proceeding or filing before the Commission or ORS. In addition to these provisions, ORS and Dominion Energy have updated the monetary thresholds for the reporting of real property transactions so that the monetary threshold set forth in the 2019 Code of Conduct is now consistent with the monetary threshold set forth in S.C. Code Ann. § 59-27-1800 (2015), which governs the disposition of property. The 2019 Code of Conduct also requires DESC to file an affiliate transaction report with the Commission and ORS on an annual basis.

From an applicability perspective, Order No. 92-931 as well as Order No. 2018-804 govern the affiliate transactions of DESC today. The 2019 Code of Conduct does not disturb any of the merger conditions set forth in Order No. 2018-804 but contemplates that Order No. 92-931 will only govern affiliate transactions up until

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the Commission approves the 2019 Code of Conduct. Assuming that the Commission approves the 2019 Code of Conduct, the newly approved 2019 Code of Conduct will govern the affiliate and other transactions of DESC on a going forward basis.

Based upon the foregoing, DESC respectfully requests that the Commission issue an order (i) approving the 2019 Code of Conduct as filed and (ii) rescind Order No. 92-931 with an effective date contemporaneously with the effective date of the order approving the 2019 Code of Conduct.

Thank you for your consideration of this matter. If you have any questions or need additional information, please do not hesitate to contact us.

Very truly yours,



K. Chad Burgess

KCB/kms
Enclosure

cc: All parties of record in Docket No. 2017-305-E
All parties of record in Docket No. 2017-207-E
All parties of record in Docket No. 2017-370-E
(all via electronic mail only)

**CODE OF CONDUCT GOVERNING THE RELATIONSHIP AMONG
DOMINION ENERGY SOUTH CAROLINA, INC., SCANA CORPORATION,
DOMINION ENERGY, INC. AND CERTAIN OTHER AFFILIATES**

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**CODE OF CONDUCT GOVERNING THE RELATIONSHIP AMONG
DOMINION ENERGY SOUTH CAROLINA, INC., SCANA CORPORATION,
DOMINION ENERGY, INC. AND CERTAIN OTHER AFFILIATES**

I. DEFINITIONS

For purposes of this Code of Conduct, the terms listed below shall have the following definitions:

Affiliate: Dominion Energy, SCANA, or a business entity in which ten percent (10%) or more is owned or controlled, directly or indirectly, by Dominion Energy or SCANA. For purposes of this Code of Conduct, Dominion Energy, SCANA, and any Subsidiary are considered to be Affiliates of DESC.

Commission: Public Service Commission of South Carolina.

Customer: Any retail electric or natural gas customer of DESC in South Carolina.

Customer Information: Non-public information or data specific to a Customer or a group of Customers, including, but not limited to, electricity consumption, natural gas consumption, load profile, billing history, or credit history, that is or has been obtained or compiled by DESC in connection with the supplying of Electric Services or Natural Gas Services to that Customer or group of Customers.

DESC: Dominion Energy South Carolina, Inc., the business entity wholly owned by SCANA and indirectly owned by Dominion Energy, that is authorized by law to provide Electric Services and Natural Gas Services within its South Carolina service territory, and that is an "electrical utility" as defined by S.C. Code Ann. § 58-27-10(7) (2015), and a "public utility" as defined by S.C. Code Ann. § 58-5-10(4) (2015).

Dominion Energy: Dominion Energy, Inc. and any successor company.

Electric Services: Commission-regulated electric power generation, transmission, distribution, delivery, and retail sales, and other related services, including, but not limited to, administration of Customer accounts and rate schedules, metering, billing, standby service, backups, and changeovers of electric service to other suppliers.

FERC: The Federal Energy Regulatory Commission.

Market Value: The price at which property, goods, or services would change hands in an arm's-length transaction between a buyer and a seller without any compulsion to engage in a transaction, and both having reasonable knowledge of the relevant facts.

Merger: All transactions contemplated by the Agreement and Plan of Merger between Dominion Energy and SCANA.

Natural Gas Services: Commission-regulated natural gas sales and natural gas transportation, and other related services, including, but not limited to, administration of Customer accounts and rate schedules, metering and billing, and standby service.

Non-Regulated: That which is not subject to regulation by regulatory authorities.

ORS: The South Carolina Office of Regulatory Staff.

Real Property: Land, including any structures situated upon the land.

Regulated: That which is subject to regulation by regulatory authorities.

Regulated Subsidiary: Any subsidiary of Dominion Energy, SCANA, or DESC that is subject to the jurisdiction of the Commission.

Regulatory Conditions: The conditions imposed by the Commission in connection with or related to the Merger.

SCANA: SCANA Corporation and any successor company.

SCE&G: South Carolina Electric & Gas Company n/k/a DESC.

Significant: Greater than ten percent (10%)

Subsidiary: A business entity in which ten percent (10%) or more is owned or controlled, directly or indirectly, by Dominion Energy or SCANA

II. INTRODUCTION AND APPLICABILITY

By Order No. 2018-804 dated December 21, 2018, issued in Docket Nos. 2017-207-E, 2017-305-E and 2017-370-E, the Commission approved, among other things, the Merger between SCANA and Dominion Energy. Effective January 1, 2019, SCANA merged with Dominion Energy, and as a result, SCANA became a wholly-owned Subsidiary of Dominion Energy and DESC became an indirect Subsidiary of Dominion Energy. The Merger did not alter the corporate relationship between SCANA and DESC. Accordingly, DESC is a wholly-owned Subsidiary of SCANA.

In Order No. 2018-804, the Commission imposed certain merger conditions to be adopted by DESC including a condition that “Dominion and [DESC] shall adopt and agree to adhere to a Code of Conduct developed in collaboration with the [ORS] and approved by the Commission” and that such “Code of Conduct be developed to assure that the utility and its officers, employees and agents act to assure that they adhere to their duty to avoid the concealment, omission, misrepresentation, or nondisclosure of any material fact or information in any proceeding or filing before the Commission or ORS.”

DESC represents that it has developed such a Code of Conduct in collaboration with ORS reflecting the terms of Order No. 2018-804 to incorporate prior Commission orders, concerning affiliate transactions, specifically including:

- a. Order No. 89-379, which was issued on April 12, 1989, in Docket No. 1988-681-E, and the subsequent Notice of Proceeding, dated May 9, 1989, in Docket No. 89-230-E/G in order to “fully investigate the transfer of property, along

with the allocation of expenses, revenue and plant by SCE&G to SCANA or any of SCANA's affiliated Companies;" and

- b. Order No. 92-931, issued in Docket No. 89-230-E/G, in which the Commission approved final Recommendations and Reporting Requirements for SCE&G concerning recommendations and reporting requirements for financial transactions, affiliate transactions, and property transactions.

Unless otherwise required by Commission Order No. 2018-804, any transaction between DESC and SCANA, or between DESC and a Regulated Subsidiary that occurs before the effective date of the Commission's order approving this Code of Conduct shall be governed by Order No. 92-931.

Any transaction between DESC and Dominion Energy, or between DESC and SCANA, or between DESC and any Regulatory Subsidiary that occurs after the effective date of the Commission's order approving this Code of Conduct shall be governed by this Code of Conduct.

III. CODE OF CONDUCT

This Code of Conduct establishes the minimum guidelines and rules that apply to the relationships, transactions, and activities involving the electric and natural gas operations of DESC, Dominion Energy, SCANA, and any Regulated Subsidiary. This Code of Conduct is subject to modification by the Commission as the public interest may require, including, but not limited to, addressing changes in the organizational structure of DESC, Dominion Energy, SCANA and any Regulated Subsidiary; changes in the structure of the electric industry or natural gas industry; or other changes that warrant modification of this Code.

A. FINANCIAL TRANSACTIONS

1. Any business or financial risk associated with the creation and operation of another Subsidiary of DESC, Dominion Energy, or SCANA shall not be assigned to the ratepayers of DESC.

2. The overall allowed return on rate base of DESC must meet standards consistent with general regulatory policy and exclude any cost resulting from increased business or financial risk associated with the diversified investments of Dominion Energy and SCANA. This requirement is also applicable to any Regulated Subsidiary.

3. The capital structure utilized by DESC for rate making purposes must be reasonable and not adversely influenced by Non-Regulated diversification investments of Dominion Energy or SCANA. The Commission will monitor DESC's capital structure and may assign a reasonable hypothetical capital structure in the event that DESC's capital structure is found to differ significantly from that appropriate for an electric and/or natural gas utility. This requirement is also applicable to any Regulated Subsidiary.

4. The cost of debt and the cost of preferred stock of DESC shall not be adversely influenced by any risk related to the diversification activities of Dominion

Energy or SCANA. If the bond rating or preferred stock rating of DESC is lowered because of diversification investments by Dominion Energy or SCANA any additional costs shall not be borne by the ratepayers of DESC. This requirement is also applicable to any Regulated Subsidiary.

5. The dollar amount of dividends paid by DESC to Dominion Energy must be reasonable. The percentage of net income paid by DESC to Dominion Energy as dividends must be reasonable and consistent with the long-run period of five to ten years with the payout ratio of the electric utility industry and/or the gas distribution industry. This issue should be monitored annually. This requirement is also applicable to any Regulated Subsidiary.

6. The collateral used to support the debt of DESC must not be compromised in any way as to endanger DESC's bond rating and increase its cost of debt. The Commission may adjust the cost of any new debt issue during a general rate case proceeding in a reasonable manner to remove the impact of the higher cost debt if this is determined to have occurred. This requirement is also applicable to any Regulated Subsidiary.

7. DESC must comply with the FERC Chart of Accounts. This requirement is also applicable to any Regulated Subsidiary.

8. Dominion Energy, through SCANA, will provide equity, as needed, to DESC with the intent of maintaining DESC's capital structure targeted within a range of 50%-55% equity that is consistent with existing regulatory guidelines and improving credit ratings.

9. DESC shall not be the guarantor of any debt of Dominion Energy or any other Affiliate.

10. Dominion Energy shall maintain credit metrics that are supportive of strong investment-grade credit ratings for DESC.

11. Except for the return on equity ("ROE") and cost of debt approved by the Commission for new nuclear development cost recovery for the twenty-year recovery period:

- a. The ROE for DESC's base electric business should be established based on past practice and precedent, to determine a fair and reasonable return on equity.
- b. To the extent that any long-term debt issued by DESC following the date of closing of the merger is more expensive (as measured by spreads to then current Treasuries) as a result of the merger than the average long-term debt of similar tenor and security package issued by "BBB/Baa" rated state-regulated utilities in a similar time period, the cost of debt of such issuances shall be reduced to that average for

purposes of calculating overall cost of debt in the first base rate proceeding following closing of the merger.

B. AFFILIATED TRANSACTIONS

1. Dominion Energy does not permit any lending of cash or other capital from a utility subsidiary to any other entity within the Dominion Energy family (in other words, there is no “money pool” for these regulated utility subsidiaries).

2. For affiliate transactions involving DESC, Dominion Energy, SCANA and any Affiliate, DESC shall abide by the following standards regarding affiliate transactions as referenced in the National Association of Regulatory Utility Commissioner’s Guidelines for Cost Allocations and Affiliate Transactions unless as otherwise directed by the Commission.

- a. Generally, the price for services, products and the use of assets provided by a Regulated entity to its Non-Regulated Affiliates should be at the higher of fully allocated costs or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the Commission.
- b. Generally, the price for services, products and the use of assets provided by a Non-Regulated Affiliate to a Regulated Affiliate or by a Regulated Affiliate to a Regulated Subsidiary should be at the lower of fully allocated cost or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the Commission.
- c. Generally, transfer of a capital asset from a Regulated Subsidiary to its Non-Regulated Affiliate should be at the greater of prevailing market price or net book value, except as otherwise required by law or regulation. Generally, transfer of assets from an Affiliate to DESC should be at the lower of prevailing market price or net book value, except as otherwise required by law or regulation. To determine prevailing market value, an appraisal should be required at certain value thresholds as determined by the Commission.
- d. DESC shall maintain all information underlying affiliate transactions with its Affiliates for a minimum of three years, or as required by law or regulation. DESC shall not engage in improper self-dealing with other Affiliates where there are competitive alternatives, such as the sourcing of natural gas supplies and transportation and storage services; in such circumstances, DESC shall competitively source its services or products using a “least cost” standard. DESC shall be required to maintain detailed

records and shall have the burden to prove that transactions with a competitive Affiliate were sourced competitively and at least cost.

- e. DESC shall be required to maintain records and shall have the burden to prove that transactions with a competitive Affiliate were sourced competitively. DESC shall not engage in improper self-dealing with other Dominion affiliates where there are competitive alternatives, such as the sourcing of natural gas supplies and transportation and storage services; in such circumstances, DESC shall competitively source its services or products. DESC shall be required to maintain records and shall have the burden to prove that transactions with a competitive affiliate were sourced competitively and at least cost, unless otherwise approved by the Commission. Least cost is therefore not mandatory with permission from the Commission, because purchases that have the "least cost" may not always be the most reasonable and prudent for the company or its customers because it must take into account total delivered cost, reliability, availability, and diversity of supply. However, the Commission's expectation is that absent such a showing, DESC will consistently seek out the least cost option.
- f. Prudence will be considered in affiliate transactions for Dominion Energy and its subsidiaries and will continue to be governed by the S.C. Code Ann. § 58-27-2090 (2015), which include transfer pricing protections for the benefit of customers. Existing provisions in South Carolina law ensure that affiliate transactions are tied to market rates and standard contract conditions for similar goods and services.

3. Any transfer of funds, such as loans, from DESC to Dominion Energy or to any other Subsidiary of Dominion Energy should be void of any affiliate preferences which would be unreasonable, unfair and have an injurious effect upon the public interest, consistent with S.C. Code Ann. § 58-27-2090 (2015), as amended. Any loans should be made at market rates with loan agreements similar to the standards at that time for similar types of loans. DESC must maintain records of such transactions necessary to demonstrate that the transaction was void of any affiliate preference. This requirement is applicable for any Regulated Subsidiary. This issue should be monitored annually.

4. DESC must ensure that its affiliated transactions are undertaken in accordance with the provisions of S.C. Code Ann., § 58-27-2090 (2015), as amended, and to maintain sufficient records of such transactions to permit full review by the Commission and ORS.

5. DESC must follow accepted regulatory methods and standards of allocating costs between the parent and subsidiaries of Dominion Energy. Allocation factors should be reported annually to the Commission. This requirement is also applicable to any Regulated Subsidiary.

6. No Subsidiary may be created by DESC or any Regulated Subsidiary without notification to the Commission. Notice of the formation of a new Subsidiary must be filed with the Commission. The notification to be provided by DESC will include an overview of each new Subsidiary's intended type of operation and explain the expected impact of each new Subsidiary's operations on the regulated operations of DESC.

7. DESC and any other Regulated Subsidiary must timely notify the Commission of any joint ventures and joint financial arrangements entered into by DESC or the Regulated Subsidiary. The notification provided by DESC or the Regulated Subsidiary will contain an overview of the new joint venture's intended operations and **explain the expected impact of the joint venture on the regulated operations of DESC and confirm such joint venture will not adversely impact the financial condition of DESC.**

8. Each Subsidiary of Dominion Energy and SCANA (Regulated and Non-Regulated) must maintain separate books and records which identify transactions between Affiliates. The transactions between the Regulated and Non-Regulated Affiliates are to be monitored by the Commission.

9. DESC must maintain its books and records in a manner sufficient to identify "affiliated transactions" as defined in S.C. Code Ann. § 58-27-2090 (2015) and sufficient to permit review by the Commission.

10. DESC shall ensure the maintenance of separate books and records which identify all transactions between DESC and its Affiliates. ORS will review these books to verify transactions between DESC and its Affiliates.

11. DESC will maintain proper records for Commission review on the following:

- a. Joint employees of the various Affiliates.
- b. Common property between Regulated subsidiaries and Non-Regulated subsidiaries.

12. Any and all affiliate preferences are prohibited. Any business or financial transaction between DESC and any of its Affiliates must be conducted on an unaffiliated basis, fully auditable, reflecting all costs and should not permit or result in any cross-subsidization. This should be monitored annually.

13. DESC must issue a policy statement which provides for the avoidance of any affiliate preference which would be unreasonable, unfair and have an injurious effect upon the public interest, consistent with S.C. Code Ann. § 58-27-2090 (2015), as amended. Any updates to the policy statement must be filed on a timely basis with the Commission.

14. The officers of DESC and any Regulated Subsidiary shall not devote an inordinate amount of time with the establishment and operation of Non-Regulated subsidiaries of Dominion Energy to the detriment of DESC or any Regulated Subsidiary.

15. DESC shall notify the Commission when Dominion Energy or any of its subsidiaries have been retained to perform services in the capacity of a subcontractor or in some other type of financial arrangement on behalf of a contractor doing business with DESC. The notification will include a description of the financial arrangement, the name of the contractor/company with which the arrangements have been made, the type of services being performed, and how these arrangements impact the regulated operations of DESC.

C. REAL PROPERTY TRANSACTIONS

1. Any utility land or real property transfers between DESC and Dominion Energy, or DESC and SCANA, or DESC and any Affiliate, or to any other party, shall be made at Market Value. DESC must maintain records of such transactions necessary to demonstrate that the transaction was void of any affiliate preference. This requirement is also applicable to any Regulated Subsidiary. This issue should be monitored annually.

2. DESC and any Regulated Subsidiary must comply with South Carolina state law and Commission regulations pertaining to property transfers.

3. DESC will establish and implement the following procedures for the sale of real property:

- a. For sales of real property less than five (5) acres which is within the boundaries of hydroelectric projects subject to the jurisdiction of the FERC, DESC will conduct all sales in accordance with its hydro operating license. Pursuant to FERC rules, notification must be filed not less than forty-five (45) days "prior to the transaction" and must include a statement that State and Federal agencies with jurisdiction for environmental issues have been formally advised of the pendency of the transaction. DESC will restrict such land transfers to requesting owners of the adjacent property, transactions concerning such property will not be the subject of any competitive bidding process.
- b. For sales of real property with an appraised value in excess of \$1,000,000, DESC will engage in the following competitive bidding process.¹
 - i. Upon the receipt of an offer to purchase such property, DESC will advise the offeror that DESC will advertise to the public the availability of the property. The advertisement will describe the property and state that DESC will receive additional offers for a period of at least thirty (30) days.

¹ The appraised value must be determined by a state certified independent appraiser.

- ii. Upon acceptance of any offer, DESC will provide the Commission with an explanation for the acceptance of any offer other than the highest offer. If the original offer to purchase is made by an Affiliate of DESC and no other offers are timely received, the transfer of the property to DESC's Affiliate may be made at the appraised value of the property as determined by a state certified independent appraiser and the property must be transferred at Market Value. These procedures are applicable to utility property only.

4. On any occasion when Real Property is moved from a classification as utility property to a classification as non-utility property, DESC and any Regulated Subsidiary must provide prior notification for any transaction in excess of \$1,000,000 and an annual summary of the reclassification of utility property to non-utility property. The transaction that moves the Real Property from utility property to non-utility property must be made at book value.

5. Any gain or loss on the sale or other transfer of Real Property shall be accounted for under the FERC Chart of Accounts and generally accepted accounting principles and will be considered by the Commission on a case-by-case basis for ratemaking and other regulatory purposes.

D. CUSTOMER INFORMATION

1. DESC shall not disclose Customer Information to any Affiliate without the written consent of that Customer. Procedures must be established by DESC to comply with this recommendation. Upon development of the procedures, DESC is required to file a copy of the procedures with the Commission for approval.

E. INTERACTIONS AND DEALINGS WITH ORS PURSUANT TO ORDER NO. 2018-804

1. Dominion Energy and DESC are committed to compliance with all federal, state, and local laws that govern the services that it provides to South Carolina and its citizens. In furtherance of this commitment, DESC and its officers, employees, and agents are responsible for understanding the laws, rules, and regulations that apply to DESC and also have the responsibility to comply with both the spirit and the letter of the laws and regulations that apply to DESC. Moreover, DESC acknowledges and understands that it must be accurate and truthful in the preparation, review, and submissions of all records, reports, and other information provided to the Commission and ORS.

2. Dominion Energy and DESC shall communicate all material information within a reasonable period of time with ORS and the Commission and be transparent with regard to all non-privileged information. Further, Dominion Energy and DESC shall be subject to appropriate protections for confidential and proprietary information.

3. In addition, officers and employees of Dominion Energy, including DESC's local management, will continue to be accessible to regulators and lawmakers, including the Commission. As part of this and future regulatory proceedings, Dominion Energy and DESC will continue to provide information about Dominion Energy or its other subsidiaries relevant to matters within the Commission's jurisdiction to the Commission upon request of the Commission. In addition, Dominion Energy and DESC management will ensure local access to books and records of DESC, including local access to the books and records of Dominion Energy Southeast Services, Inc., and Dominion Energy Services, Inc., as well as any other Affiliate that provides services to and charges DESC, without limitation to specific future proceedings.

4. In providing accurate and truthful information, DESC, without waiving its rights to self-advocacy in supporting positions in regulatory proceedings before the Commission and specifically reserving all of its rights under the law, acknowledges that it must avoid the concealment, omission, misrepresentation, or nondisclosure of any material fact or information in any proceeding or filing before the Commission or ORS. To ensure that its employees and agents comply with this merger condition, DESC, on an annual basis, will provide specific training to all its employees informing them of the duties and responsibilities that must be followed when communicating with the Commission and ORS so as to avoid the concealment, omission, misrepresentation, or nondisclosure of any material fact or information in any proceeding or filing before the Commission or ORS. Proof of annual training, including certification, training agenda/outline, and attendance, will be provided to the Commission and ORS in writing on an annual basis.

IV. REPORTING REQUIREMENTS

DESC is required to file an affiliate transactions report on a calendar year basis by June 30 of each year. On June 30, 2019, DESC will file its affiliate transaction report for the twelve months ending December 31, 2018; however, because the reporting period ends on December 31, 2018, this report will not include any Dominion Energy information. For each affiliate transactions report filed after June 30, 2019, DESC is required to include Dominion Energy information consistent with the terms herein.

A. FINANCIAL TRANSACTIONS REPORTING REQUIREMENTS

In accordance with filing deadlines and requirements set forth in Section IV above, DESC shall:

1. File the rate of return on rate base, net assets, and common equity for DESC and any Regulated Subsidiary and the rate of return on net assets and common equity for consolidated Dominion Energy. This information should be based on the most recent calendar year data.

2. File the dollar amount of the capital structure at the end of the most recent calendar year for consolidated Dominion Energy, DESC, and any Regulated Subsidiary separated by component. (e.g., debt, preferred stock, equity, etc., and total.)

3. File the consolidated capital structure of the Regulated Subsidiaries of Dominion Energy and the consolidated capital structure for the Non-Regulated operations of Dominion Energy in dollar amounts at the end of the most recent calendar year separated by component. (e.g., debt, preferred stock, equity, etc., and total).

4. File the dollar amount of assets devoted to the Regulated, Non-Regulated, and consolidated operations of Dominion Energy at the end of the most recent calendar year.

5. Provide an income statement, balance sheet, and cash flow statement reflecting results of operations from Dominion Energy, DESC and any Regulated Subsidiary based on the most recent calendar year.

6. File:

(a) Bond rating, common stock rating, and preferred stock rating of Dominion Energy, DESC, and any other Regulated Subsidiary at the end of the latest calendar year. File all available ratings and notifications of any change in a security rating within fifteen (15) days or as soon as possible. The notification will include the news release or other information for the rating agency setting forth the reason for the change.

(b) Notification of any changes in these ratings during the calendar year.

(c) Explanation for any changes in the security ratings during the prior twelve months.

(d) Immediate notification to the Commission of any changes in security ratings.

7. File:

(a) Notification of any issuances of common stock, long-term debt, or preferred stock by DESC, or any other Regulated Subsidiary.

(b) Approximate time of issue and dollar amount of issue.

(c) Explanation of the intended use of these funds, if they are issued specifically by a Regulated Subsidiary or earmarked for a Regulated Subsidiary or Non-Regulated Subsidiary.

(d) If the funds raised from an issuance were or are to be transferred from one Subsidiary to another or from Dominion Energy, DESC to a Regulated

Subsidiary, file information on the mechanism used to transfer these funds and the amount of such transfers.

(e) Actual cost of any issue of debt and preferred stock by Dominion Energy, DESC, or any Regulated Subsidiary during the calendar year.

8. File:

(a) Dollar amount of dividends paid out by Dominion Energy during the most recent calendar year.

(b) Percent of consolidated Dominion Energy's net income or earnings per share paid out as dividends to stockholders over the calendar year. (Dividends per share/earnings per share or dollar amount of dividends/net income).

(c) Explanation of the reason for any Significant changes in the payout ratio (Dividends per share/earnings per share, etc.) from the previous twelve months.

9. File:

(a) Dollar amount of dividends paid to Dominion Energy by DESC and any Regulated Subsidiary for each calendar year. File the total amount of dividends paid by all Subsidiaries to Dominion Energy.

(b) Percent of net income paid by DESC and each Regulated Subsidiary.

(c) Explanation of the reason for any Significant change in the payout ratios (dividends/net income) from the previous calendar year.

(d) Explanation of any Significant difference in the payout ratios of the regulated subsidiaries.

B. AFFILIATE TRANSACTIONS REPORTING REQUIREMENTS

In accordance with filing deadlines and requirements set forth in Section IV above DESC shall:

1. (a) File a record of any transfer of funds from/to Dominion Energy and any Regulated Subsidiary of Dominion Energy during the previous calendar year.

(b) File a description of the type of transfer.

(c) ~~File the terms of the transfer.~~

(d) File a comparison of the terms of the transfer with current market terms and rates.

2. File a record of any Real Property transfers between DESC and Dominion Energy, DESC and any Regulated Subsidiary, or DESC and any other party for the past calendar year which includes:

- (a) Market value and how the market value was determined.
- (b) Book value at the time of transfer.
- (c) Original purchase price.
- (d) Selling price and terms of sale.
- (e) Gain or loss on transfer.
- (f) Identification of land or property transferred.
- (g) Parties involved in the transfer.
- (h) Number of bids received.

This is applicable for any Regulated Subsidiary.

3. File a record of goods and services sold or exchanged between DESC and Dominion Energy, SCANA, or any Regulated Subsidiary during the past calendar year. Compare the current market prices for such goods and services with the prices for which goods and services were exchanged or sold between DESC, Dominion Energy, SCANA or any Regulated Subsidiary.

4. (a) File information on the methodologies used for the allocation of costs between Dominion Energy and its Subsidiaries.

(b) File allocation factors.

5. (a) File a record of any type of collateral belonging to DESC used to support any financial arrangement on behalf of any Subsidiary of Dominion Energy.

(b) File information on the type of financial arrangement involved.

(c) File a description of the collateral pledged in support of the financing arrangement.

(d) File the reason for pledging any assets as collateral for an affiliate.

6. File the percent of time each officer of DESC and any Regulated Subsidiary allocated to each subsidiary of Dominion Energy for the prior calendar year.

7. File a summary of affiliated transactions by each regulated affiliate by type of transaction completed during the year. The summary will include the gross dollar amount of each transaction and a reference to any relevant contract of agreement.

8. File a statement certifying that all affiliated transactions were determined consistent with any procedures or requirements approved by the Commission.

9. (a) File information on any new contracts and leases with affiliated companies and a brief description of each contract including the terms, price, quantity and duration.

(b) File information as to whether competitive bids were taken.

10. File a list of employees earning more than \$125,000 annually transferred to/from the Regulated Subsidiary to another Affiliated company. The listing will contain the following information for each affected employee:

a. Old job assignment with Regulated Subsidiary.

b. New job assignment at the Affiliate.

c. Whether transfer is permanent or temporary; and if temporary, the expected duration.

11. DESC and any Regulated Subsidiary is required to keep supporting records of reported transactions to facilitate auditing and analysis and shall maintain an audit trail from the summary report through the general ledger to the source documents supporting the transaction.

12. DESC and any Regulated Subsidiary will maintain for Commission review (not to be filed annually) written reports of individual affiliated transactions.

13. DESC will develop and file with the Commission a policy statement prohibiting affiliate preferences in the conduct of its affiliated transactions. DESC will modify its policy statement as necessary and file the modified policy statement with the Commission.

14. (a) DESC, Dominion Energy, and any Regulated Subsidiary will file the names of any of their affiliated companies and a description of the business and financial operations of each company.

(b) For any new Subsidiary also file the initial amount of the investment and the source of funds used for the investment.

(c) The Commission will be notified of the creation of any new corporate Subsidiary of Dominion Energy or any of its Regulated subsidiaries within

twenty (20) days of either the filing of Articles of Incorporation or the final action creating the business entity.

(d) File an organizational chart for consolidated Dominion Energy and each Regulated subsidiary. The Commission shall be provided with an updated chart within twenty-five (25) days of any change.

(e) File information on any changes in corporate structure during the prior calendar year including any partnerships, minority interests, and joint ventures entered into by DESC, Dominion Energy or any Affiliates of Dominion Energy. This includes any such arrangements between DESC or any of its Affiliates with an external entity.

15. DESC will notify the Commission when it has retained the services of another contractor/company to perform services for DESC and the retained contractor/company thereafter utilizes the services of Dominion Energy or any of its Subsidiaries on the matter in question. The notification will be filed within twenty (20) days of the execution of the subcontract or other arrangement and will contain a summary of the arrangement, the name of the contractor/company providing the services, a statement whether the services were competitively bid, the procedure used by the contractor/company to retain Dominion Energy or any of its subsidiaries, the type of services being provided by Dominion Energy and any of its subsidiaries, and the manner in which these arrangements impact the regulated operations of DESC.

16. DESC shall make a filing with the Commission to seek approval for any proposed structural reorganization and shall not implement such reorganization until the Commission issues an order approving, rejecting, or modifying the planned reorganization.

C. REAL PROPERTY TRANSACTIONS REPORTING REQUIREMENTS

1. On any occasion that DESC or a Regulated Subsidiary accepts anything other than the highest bid for real property classified as utility property, that company must provide adequate justification to the Commission.

2. DESC will file with the Commission the following:

a. For sales of real property classified as utility property with an appraisal in excess of \$1,000,000 and DESC accepts a bid other than the highest bid, DESC will provide an explanation as to why it accepted an offer other than the highest bid.

3. (a) On any occasion when real property is moved from a classification as utility property to a classification as non-utility property, DESC and any Regulated Subsidiary must provide timely notification of such a transaction to the Commission. This notification will be included in the annual summary of the reclassification of utility property to non-utility property.

(b) Prior notification will be provided to the Commission for any reclassification transaction in excess of \$1,000,000, and an annual summary of the reclassification of utility property to non-utility property will be filed with the Commission. The transaction that moves the property from utility to non-utility will be made at book value. DESC will include an explanation stating the reason for the transfer, if known.

D. PROPRIETARY CUSTOMER INFORMATION REPORTING REQUIREMENTS

1. DESC will file a copy of the procedures that were established to comply with the recommendation that DESC will not disclose proprietary customer information without the written consent of the customer.